Study: Health law to raise claims cost 32 percent (Associated Press)

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By: **RICARDO ALONSO-ZALDIVAR**

WASHINGTON (AP) — A new study finds that insurance companies will have to pay out an average of 32 percent more for medical claims under President Barack Obama's health care overhaul.

What does that mean for you?

It could increase premiums for at least some Americans.

If you are uninsured, or you buy your policy directly from an insurance company, you should pay attention.

But if you have an employer plan, like most workers and their families, odds are you don't have much to worry about.

The estimates from the Society of Actuaries could turn into a political headache for the Obama administration at a time when much of the country remains skeptical of the Affordable Care Act.

The administration is questioning the study, saying it doesn't give a full picture — and costs will go down.

Actuaries are financial risk professionals who conduct long-range cost estimates for pension plans, insurance companies and government programs.

The study says claims costs will go up largely because sicker people will join the insurance pool. That's because the law forbids insurers from turning down those with pre-existing medical problems, effective Jan. 1. Everyone gets sick sooner or later, but sicker people also use more health care services.

"Claims cost is the most important driver of health care premiums," said Kristi Bohn, an actuary who worked on the study. Spending on sicker people and other high-cost groups will overwhelm an influx of younger, healthier people into the program, said the report.

The Obama administration challenged the design of the study, saying it focused only on one piece of the puzzle and ignored cost relief strategies in the law, such as tax credits to help people afford premiums and special payments to insurers who attract an outsize share of the sick.

The study also doesn't take into account the potential price-cutting effect of competition in new state insurance markets that will go live Oct. 1, administration officials said.

At a White House briefing Tuesday, Health and Human Services Secretary Kathleen Sebelius said some of what passes for health insurance today is so skimpy it can't be compared to the comprehensive coverage available under the law. "Some of these folks have very high catastrophic plans that don't pay for anything unless you get hit by a bus," she said. "They're really mortgage protection, not health insurance."

Sebelius said the picture on premiums won't start coming into focus until insurers submit their bids. Those results may not be publicly known until late summer.

Another striking finding of the report was a wide disparity in cost impact among the states.

While some states will see medical claims costs per person decline, the report concluded that the overwhelming majority will see double-digit increases in their individual health insurance markets, where people purchase coverage directly from insurers.

The differences are big. By 2017, the estimated increase would be 62 percent for California, about 80 percent for Ohio, more than 20 percent for Florida and 67 percent for Maryland. Much of the reason for the higher claims costs is that sicker people are expected to join the pool, the report said.

Part of the reason for the wide disparities is that states have different populations and insurance rules. In the relatively small number of states where insurers were already restricted from charging higher rates to older, sicker people, the cost impact is less.

The report did not make similar estimates for employer plans that most workers and families rely on. That's because the primary impact of Obama's law is on people who don't have coverage through their jobs.

A prominent national expert, recently retired Medicare chief actuary Rick Foster, said the report does "a credible job" of estimating potential enrollment and costs under the law, "without trying to tilt the answers in any particular direction."

"Having said that," Foster added, "actuaries tend to be financially conservative, so the various assumptions might be more inclined to consider what might go wrong than to anticipate that everything will work beautifully." Actuaries use statistics and economic theory to make long-range cost projections for insurance and pension programs sponsored by businesses and government. The society is headquartered near Chicago.

Bohn, the actuary who worked on the study, acknowledged it did not attempt to estimate the effect of subsidies, insurer competition and other factors that could offset cost increases. She said the goal was to look at the underlying cost of medical care.

"We don't see ourselves as a political organization," Bohn added. "We are trying to figure out what the situation at hand is."

On the plus side, the report found the law will cover more than 32 million currently uninsured Americans when fully phased in. And some states — including New York and Massachusetts — will see double-digit declines in costs for claims in the individual market.

Uncertainty over costs has been a major issue since the law passed three years ago, and remains so just months before a big push to cover the uninsured gets rolling Oct. 1. Middle-class households will be able to purchase subsidized private insurance in new marketplaces, while low-income people will be steered to Medicaid and other safety net programs. States are free to accept or reject a Medicaid expansion also offered under the law.

AP White House Correspondent Julie Pace contributed to this report.

Online: Society of Actuaries: **http://www.soa.org/NewlyInsured/**
http://bigstory.ap.org/article/study-health-law-raise-claims-cost-32-percent

Some healthcare costs may rise when 'Obamacare' implemented –official (Reuters)

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* Sebelius says expect some shifting in the insurance **markets**

* Independent study sees 32 percent average rise in premium costs

By Jeff Mason and David Morgan

WASHINGTON, March 26 (Reuters) - President **Barack Obama's** top healthcare adviser acknowledged on Tuesday that costs could rise in the individual **health insurance** market, particularly for men and younger people, because of the landmark 2010 healthcare restructuring due to take effect next year.

U.S. Health and Human Services Secretary Kathleen Sebelius said definitive data on costs will not be available until later this year when private health plans become authorized to sell federally subsidized coverage on new state-based online marketplaces, known as exchanges.

"Everything is speculation. I think there's likely to be some shifting in the **markets**," she told reporters at the White House.

The law, also known as "Obamacare," eliminates discriminatory market practices that have imposed higher rates on women and people with medical conditions.

It also limits how much insurers can charge older people. But while the changes are expected to lower costs for women, older beneficiaries and the sick, men and younger, healthier people will likely see higher rates as insurers try to hedge against continued risks.

"Women are going to see some lower costs, some men are going to see some higher costs. It's sort of a one to one shift ... some of the older customers may see a slight decline, and some of the younger ones are going to see a slight increase."

Insurance premiums could rise for some with individual plans, she said, as Obama's Patient Protection and Affordable Care Act enhances the level of coverage and either eliminates or reduces the rate of price discrimination against people who are older, female or have preexisting medical conditions.

"These folks will be moving into a really fully insured product for the first time, so there may be a higher cost associated with getting into that market," Sebelius said.

But those who qualify for federal subsidies through state healthcare exchanges would still get a better deal, she said.

Her remarks coincide with growing uneasiness about possible cost increases among lawmakers and executives in the $2.8 trillion U.S. healthcare industry.

A new study released on Tuesday by the nonpartisan Society of Actuaries estimates that individual premiums will rise 32 percent on average nationwide within three years, partly as a result of higher risk pools. Changes would vary by state, from an 80 percent hike in Wisconsin to a 14 percent reduction in New York.

Obama's healthcare restructuring, the signature domestic policy achievement of his first term, is expected to provide coverage to more than 30 million people beginning on Jan. 1, 2014, both through the state exchanges and a planned expansion of the government-run Medicaid program for the poor.

Subsidies in the form of premium tax credits, available on a sliding scale according to income, are expected to mitigate higher costs for many new beneficiaries.

But the insurance industry, which is set to gain millions of new customers under the law, is warning of soaring premium costs next year because of new regulations that include the need to offer a broader scale of health benefits than some insurers do now.

That has raised concerns about people with individual policies not subject to subsidies and the potential for cost spillovers into the market for employer-sponsored plans, which according to U.S. Census data, cover about half of U.S. workers.

'LITTLE IMPACT'

Sebelius dismissed the idea of significant change for employer plans, saying that market segment was "likely to see very little impact."

Separately, a Democratic U.S. senator on Tuesday said the federal government has limited scope to help millions of people likely to remain without affordable **health insurance** under the new law.

Senator Ron Wyden of Oregon, a member of the Senate Finance Committee, released a report submitted to the panel by the administration that outlines an "employee choice" policy that would allow some employers to offer a wider range of coverage choices to their workers at reduced rates for 2014.

But Wyden said the approach would not help many of the nearly 4 million worker dependents who may have to forego subsidized private health coverage as a result of an IRS ruling.

"Even in the states that allow for employee choice, it will be limited to a small number of workers," Wyden said.

The law would have most people with employer insurance remain under their current plans. Workers can opt for subsidized coverage if their employer plan is unaffordable, but only according to a narrow definition of what is affordable.

The IRS ruled in January that the cost of insuring a worker's family will be considered unaffordable if the employee's contribution to an individual coverage plan exceeded 9.5 percent of that person's income. That rule ignores the fact that family coverage is far more expensive than individual coverage.

As a result, the nonpartisan Kaiser Family Foundation estimates that 3.9 million family dependents could be left unable either to afford employer-sponsored family coverage or to obtain federally subsidized insurance through an exchange.

In its report to the Senate committee, Sebelius' department said some employers could claim a tax credit in 2014 to make coverage more affordable and offer workers a range of coverage plans through state-based exchanges. (Writing by David Morgan; Editing by Fred Barbash and Paul Simao)

http://www.reuters.com/article/2013/03/26/usa-healthcare-sebelius-idUSL2N0CI1BX20130326